# excerpts from the book Tragedy and Hope A History of the World in Our Time by Carroll Quigley, 1966



**Pg. 48-49:**

**In effect, this creation of paper claims greater than the reserves available means that bankers were creating money out of nothing. The same thing could be done in another way, not by note-issuing banks but by deposit banks. Deposit bankers discovered that orders and checks drawn against deposits by depositors and given to third persons were often not cashed by the latter but were deposited to their own accounts. Thus there were no actual movements of funds, and payments were made simply by bookkeeping transactions on the accounts. Accordingly, it was necessary for the banker to keep on hand in actual money (gold, certificates, and notes) no more than the fraction of deposits likely to be drawn upon and cashed; the rest could be used for loans, and if these loans were made by creating a deposit for the borrower, who in turn would draw checks upon it rather than withdraw it in money, such "created deposits" or loans could also be covered adequately by retaining reserves to only a fraction of their value. Such created deposits also were a creation of money out of nothing, although bankers usually refused to express their actions, either note issuing or deposit lending, in these terms. William Paterson, however, on obtaining the charter of the Bank of England in 1694, to use the moneys he had won in privateering, said, "The Bank hath benefit of interest on all moneys which it creates out of nothing." This was repeated by Sir Edward Holden, founder of the Midland Bank, on December 18, 1907, and is, of course, generally admitted today.**

**Pg. 51: The merchant bankers of London had already at hand in 1810-1850 the Stock Exchange, the Bank of England, and the London money market when the needs of advancing industrialism called all of these into the industrial world which they had hitherto ignored. In time they brought into their financial network the provincial banking centers, organized as commercial banks and savings banks, as well as insurance companies, to form all of these into a single financial system on an international scale which manipulated the quantity and flow of money so that they were able to influence, if not control, governments on one side and industries on the other. The men who did this, looking backward toward the period of dynastic monarchy in which they had their own roots, aspired to establish dynasties of international bankers and were at least as successful at this as were many of the dynastic political rulers. The greatest of these dynasties, of course, were the descendants of Meyer Amschel Rothschild (1743-1812) of Frankfort, whose male descendants, for at least two generations, generally married first cousins or even nieces. Rothschild's five sons, established at branches in Vienna, London, Naples, and Paris, as well as Frankfort, cooperated together in ways which other international banking dynasties copied but rarely excelled.**

**Pg. 52: The names of some of these banking families are familiar to all of us and should be more so. They include Raring, Lazard, Erlanger, Warburg, Schroder, Seligman, the Speyers, Mirabaud, Mallet, Fould, and above all Rothschild and Morgan. Even after these banking families became fully involved in domestic industry by the emergence of financial capitalism, they remained different from ordinary bankers in distinctive ways: (1) they were cosmopolitan and international; (2) they were close to governments and were particularly concerned with questions of government debts, including foreign government debts, even in areas which seemed, at first glance, poor risks, like Egypt, Persia, Ottoman Turkey, Imperial China, and Latin America; (3) their interests were almost exclusively in bonds and very rarely in goods, since**

**they admired "liquidity" and regarded commitments in commodities or even real estate as the first step toward bankruptcy; (4) they were, accordingly, fanatical devotees of deflation (which they called "sound" money from its close associations with high interest rates and a high value of money) and of the gold standard, which, in their eyes, symbolized and ensured these values; and (5) they were almost equally devoted to secrecy and the secret use of financial influence in political life.**

**Pg. 53: The influence of financial capitalism and of the international bankers who created it was exercised both on business and on governments, but could have done neither if it had not been able to persuade both these to accept two "axioms" of its own ideology. Both of these were based on the assumption that politicians were too weak and too subject to temporary popular pressures to be trusted with control of the money system; accordingly, the sanctity of all values and the soundness of money must be protected in two ways: by basing the value of money on gold and by allowing bankers to control the supply of money. To do this it was necessary to conceal, or even to mislead, both governments and people about the nature of money and its methods of operation.**

**Pg. 62: In addition to their power over government based on government financing and personal influence, bankers could steer governments in ways they wished them to go by other pressures. Since most government officials felt ignorant of finance, they sought advice from bankers whom they considered to be experts in the field. The history of the last century shows, as we shall see later, that the advice given to governments by bankers, like the advice they gave to industrialists, was consistently good for bankers, but was often disastrous for governments, businessmen, and the people generally. Such advice could be enforced if necessary by manipulation of exchanges, gold flows, discount rates, and even levels of business activity. Thus Morgan dominated Cleveland's second administration by gold withdrawals, and in 1936-1938 French foreign exchange manipulators paralyzed the Popular Front governments. As we shall see, the powers of these international bankers reached their peak in the last decade of their supremacy, 1919-1931, when Montagu Norman and J. P. Morgan dominated not only the financial world but international relations and other matters as well. On November I l, 1927, the Wall Street Journal called Mr. Norman "the currency dictator of Europe." This was admitted by Mr. Norman himself before the Court of the Bank on March Zl, 1930, and before the Macmillan Committee of the House of Commons five days later. On one occasion, just before international financial capitalism ran, at full speed, on the rocks which sank it, Mr. Norman is reported to have said, "I hold the hegemony of the world."**

**Pg. 324: the powers of financial capitalism had another far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences. The apex of the system was to be the Bank for International Settlements in Basle, Switzerland, a private bank owned and controlled by the world's central banks which were themselves private corporations. Each central bank, in the hands of men like Montagu Norman of the Bank of England, Benjamin Strong of the New York Federal Reserve Bank, Charles Rist of the Bank of France, and Hjalmar Schacht of the Reichsbank, sought to dominate its government by its ability to control Treasury loans, to manipulate foreign exchanges, to influence the level of economic activity in the country, and to influence cooperative politicians by subsequent economic rewards in the business world.**

**Pg. 326: Norman (Montagu) had a devoted colleague in Benjamin Strong, the first governor of**

**the Federal Reserve Bank of New York. Strong owed his career to the favor of the Morgan Bank, especially of Henry P. Davison, who made him secretary of the Bankers Trust Company of New York (in succession to Thomas W. Lamont) in 1904, used him as Morgan's agent in the banking rearrangements following the crash of 1907, and made him vice-president of the Bankers Trust (still in succession to Lamont) in 1909. He became governor of the Federal Reserve Bank of New York as the joint nominee of Morgan and of Kuhn, Loeb, and Company in 1914. Two years later, Strong met Norman for the first time, and they at once made an agreement to work in cooperation for the financial practices they both revered.**

**In the 1920's, they were determined to use the financial power of Britain and of the United States to force all the major countries of the world to go on the gold standard and to operate it through central banks free from all political control, with all questions of international finance to be settled by agreements by such central banks without interference from governments.**

**Pg. 326-327: It must not be felt that these heads of the world's chief central banks were themselves substantive powers in world finance. They were not. Rather, they were the technicians and agents of the dominant investment bankers of their own countries, who had raised them up and were perfectly capable of throwing them down. The substantive financial powers of the world were in the hands of these investment bankers (also called "international" or "merchant" bankers) who remained largely behind the scenes in their own unincorporated private banks. These formed a system of international cooperation and national dominance which was more private, more powerful, and more secret than that of their agents in the central banks. This dominance of investment bankers was based on their control over the flows of credit and investment funds in their own countries and throughout the world. They could dominate the financial and industrial systems of their own countries by their influence over the flow of current funds through bank loans, the discount rate, and the re-discounting of commercial debts; they could dominate governments by their control over current government loans and the play of the international exchanges. Almost all of this power was exercised by the personal influence and prestige of men who had demonstrated their ability in the past to bring off successful financial coupe, to keep their word, to remain cool in a crisis, and to share their winning opportunities with their associates. In this system the Rothschilds had been preeminent during much of the nineteenth century, but, at the end of that century, they were being replaced by J. P. Morgan whose central office was in New York, although it was always operated as if it were in London (where it had, indeed, originated as George Peabody and Company in 1838).**

**Pg. 936-937: Behind this unfortunate situation lies another, more profound, relationship, which influences matters much broader than Far Eastern policy. It involves the organization of tax-exempt fortunes of international financiers into foundations to be used for educational, scientific, "and other public purposes." Sixty or more years ago, public life in the West was dominated by the influence of "Wall Street." This term has nothing to do with its use by the Communists to mean monopolistic industrialism, but, on the contrary, refers to international financial capitalism deeply involved in the gold standard, foreign-exchange fluctuations, floating of fixed-interest securities and, to a lesser extent, flotation of industrial shares for stock-exchange markets. This group, which in the United States, was completely dominated by J. P. Morgan and Company from the 1880's to the 1930's was cosmopolitan, Anglophile, internationalist, Ivy League, eastern seaboard, high Episcopalian, and European-culture conscious. Their connection with the Ivy League colleges rested on the fact that the large endowments of these institutions required constant consultation with the financiers of Wall Street (or its lesser branches on State Street, Boston, and elsewhere) and was reflected in the**

**fact that these endowments, even in 1930, were largely in bonds rather than in real estate or common stocks. As a consequence of these influences, as late as the 1930's, J. P. Morgan and his associates were the most significant figures in policy making at Harvard, Columbia, and to a lesser extent Yale, while the Whitneys were significant at Yale, and the Prudential Insurance Company (through Edward D. Duffield) dominated Princeton.**

**Pg. 937: The names of these Wall Street luminaries still adorn these Ivy League campuses, with Harkness colleges and a Payne Whitney gymnasium at Yale, a Pyne dormitory at Princeton, a Dillon Field House and Lamont Library at Harvard. The chief officials of these universities were beholden to these financial powers and usually owed their jobs to them. Morgan himself helped make Nicholas Murray Butler president of Columbia; his chief Boston agent, Thomas Nelson Perkins of the First National Bank of that city, gave Conant his boost from the chemical laboratory to University Hall at Harvard; Duffield of Prudential, caught unprepared when the incumbent president of Princeton was killed in an automobile in 1932, made himself president for a year before he chose Harold Dodds for the post in 1933. At Yale, Thomas Lamont, managing partner of the Morgan firm, was able to swing Charles Seymour into the presidency of that university in 1937.**

**The significant influence of "Wall Street" (meaning Morgan) both in the Ivy League and in Washington, in the period of sixty or more years following 1880, explains the constant interchange between the Ivy League and the Federal government, an interchange which undoubtedly aroused a good deal of resentment in less-favored circles, who were more than satiated with the accents, tweeds, and High Episcopal Anglophilia of these peoples**

**Pg. 938: Because of its dominant position in Wall Street, the Morgan firm came also to dominate other Wal1 Street powers, such as Carnegie, Whitney, Vanderbilt, Brown-Harriman, or Dillon-Reed. Close alliances were made with Rockefeller, Mellon, and Duke interests but not nearly so intimate ones with the great industrial powers like du Pont and Ford. [Because] ... of the great influence of this "Wall Street" alignment, an influence great enough to merit the name of the "American Establishment," this group could ... control the Federal government and, in consequence, had to adjust to a good many government actions ... [which they had secretly supported ]. The chief of these were in taxation law, beginning with the graduated income tax in 1913, but culminating, above all else, in the inheritance tax. These tax laws drove the great private fortunes dominated by Wall Street into tax-exempt foundations, which became a major link in the Establishment network between Wall Street, the Ivy League, and the Federal government.**

**More than fifty years ago the Morgan firm decided to infiltrate the Left-wing political movements in the United States. This was relatively easy to do, since these groups were starved for funds and eager for a voice to reach the people. Wall Street supplied both. The purpose was not to destroy ... or take over but was really threefold: (1) to keep informed about the thinking of Left-wing or liberal groups; (2) to provide them with a mouthpiece so that they could "blow off steam," and (3) to have a final veto on their publicity and possibly on their actions, if they ever went "radical." There was nothing really new about this decision, since other financiers had talked about it and even attempted it earlier.**

**Pg. 939: The New Republic was founded by Willard and Dorothy Straight, using her money, in 1914, and continued to be supported by her financial contributions until March 23, 1953. The original purpose for establishing the paper was to provide an outlet for the progressive Left and to guide it quietly in an Anglophile direction. This latter task was entrusted to a young man, only**

**four years out of Harvard, but already a member of the mysterious Round Table group, which has played a major role in directing England's foreign policy since its formal establishment in 1909. This new recruit, Walter Lippmann, has been, from 1914 to the present, the authentic spokesman in American journalism for the Establishments on both sides of the Atlantic in international affairs.**

**Pg. 950: There does exist, and has existed for a generation, an international Anglophile network which operates, to some extent, in the way the ... Right believes the Communists act. In fact, this network, which we may identify as the Round Table Groups, has no aversion to cooperating with the Communists, or any other groups, and frequently does so. I know of the operations of this network because I have studied it for twenty years and was permitted for two years, in the early 1960's, to examine its papers and secret records. I have no aversion to it or to most of its aims and have, for much of my life, been close to it and to many of its instruments. I have objected, both in the past and recently, to a few of its policies (notably to its belief that England was an Atlantic rather than a European Power and must be allied, or even federated, with the United States and must remain isolated from Europe), but in general my chief difference of opinion is that it wishes to remain unknown, and I believe its role in history is significant enough to be known.**